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Chair

Mr. David Sweet

Standing Committee on Industry, Science and Technology

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• (1535)

[English]

The Chair (Mr. David Sweet (Ancaster—Dundas—Flamborough—Westdale, CPC)): I call the meeting to order.

Good afternoon, ladies and gentlemen.

[Translation]

Good afternoon, everyone.

[English]

Welcome to meeting 22 of the Standing Committee on Industry, Science and Technology.

We have witnesses today. First and foremost, the Honourable Christian Paradis, Minister of Industry, is with us, as well as Richard Dicerni, deputy minister; Simon Kennedy, senior associate deputy minister; and Kelly Gillis, chief financial officer, comptrollership and administration sector.

So that you are aware, the minister will be with us for the first hour and the officials will be with us throughout the second hour.

We'll go to the minister now for his opening remarks.

Minister, do you have 15 to 20 minutes of opening remarks?

Hon. Christian Paradis (Minister of Industry): Mr. Chair, it will probably be less than that.

The Chair: Okay; please go ahead.

Hon. Christian Paradis: Thank you very much, Mr. Chair.

Thank you, colleagues, for having me here today.

[Translation]

This is a pleasure.

I would first like to thank you for giving me the opportunity to speak to the members of the committee today on the main estimates for the Department of Industry.

As you said, Mr. Chair, I am here with Richard Dicerni, Deputy Minister, Simon Kennedy, Senior Associate Deputy Minister, and Kelly Gillis, the department's Chief Financial Officer.

[English]

Industry Canada is part of a group of 10 agencies and councils, as well as the department, that report through me and two ministers of state.

As presented in the 2012-13 main estimates, the department anticipates a total of \$1.3 billion in spending for the year, and the portfolio organizations together anticipate a total of just over \$3.5 billion.

Our goal is to help make Canadian industry more productive and competitive by advancing three strategies: one, supporting business; two, fostering the knowledge-based economy; and three, advancing the marketplace.

[Translation]

Overall, we have made significant progress towards reaching our goals. As government members, we have taken action to support businesses and to create jobs across the country.

During the global recession, we have acted decisively to counter the downturn with a targeted action plan.

More Canadians are working now than before the downturn. Actually, over 610,000 net jobs have been created since July 2009. That is a testament to Canadians' efforts.

Over the past 10 years, the Canadian economy has seen stronger growth than any other G7 economy. And we continue to find ways to give Canadian businesses a competitive edge.

We have cut import tariffs on manufacturing equipment. We have reduced federal corporate taxes to 15%; we have the lowest tax rate on new business investments in the G7, which is also less than half the rate of our American neighbours.

We have extended the 50% capital cost allowance rate through the straight-line method for machinery and equipment.

We have also extended work-sharing agreements to help workers. We continue to support research and efforts to market innovation. Our net debt to GDP ratio is still the lowest in the G7.

[English]

Our accomplishments have been recognized around the world. *Forbes* magazine ranks Canada as the best place on the planet for businesses to grow and create jobs, the Economist Intelligence Unit has rated Canada the number one place to do business in the G-7 for the next three years, and both the International Monetary Fund and the Organisation for Economic Co-operation and Development forecast that our economy will be among the strongest in the G-7 this year and next.

This is all within the context of a low-tax plan that leaves more money in the hands of Canadians.

[Translation]

Today's meeting comes at an appropriate time. Over the past few weeks, we have had the opportunity to set in motion some key initiatives that are going to help us maximize our opportunities.

As you know, Canada is one of the few nations with the whole range of design and manufacturing capacities in the aerospace industry. With almost 80,000 high-level jobs, several of which are in small and medium-sized businesses, this industry has a significant impact on Canada.

The 2011 budget committed our government to reviewing programs and policies related to the aerospace and space industries. That is why we created a committee—which I announced last month in Montreal—to undertake this study. The committee will be chaired by the Hon. David Emerson, who will share with us his vast experience and expertise in the field.

This study will cover key features, such as trends in the global aerospace industry and their impact on the Canadian industry; key opportunities and challenges in this sector; the sector's strengths and weaknesses; and, finally, long-term objectives for a sustainable domestic industry.

Mr. Emerson's study will also deal with the issues related to the space industry. To that end, I have recently announced that Canada intends to renew its participation in the International Space Station. Our commitment will contribute to maintaining Canada's leadership role in space technologies. I am particularly proud that Chris Hatfield will be the first Canadian commander of the International Space Station during its mission, which is scheduled to start in December of this year.

• (1540)

[English]

I'll turn now to the automotive sector. It is the largest manufacturing sector in Canada, representing 12% of our manufacturing output and 20% of manufactured exports. In 2011, the auto industry directly employed more than 109,000 Canadians and created another 332,000 jobs indirectly.

That's why we have invested in the automobile sector, including in clean vehicle technologies. These investments are a catalyst for further private sector activity and innovation, and they foster Canadian competitiveness.

Beyond the sectors I've mentioned, we know that our competitiveness ultimately depends on supporting business innovation throughout the entire economy. That is why support for science and technology has been a priority for our government since 2006. To this end, Canada has invested heavily in science and technology. Federal science and technology expenditures reached \$11.7 billion in 2011.

We have supported new world-class policies and programs and are expanding private sector participation in science and tech. We are building Canada's knowledge base and are successfully branding Canada as a destination of choice for talented, highly qualified S and T workers and students.

[Translation]

But, as you know, we could get better innovation results in our country. Private businesses in particular are lagging in innovation. That is the case despite our excellent record in research and development by higher-education institutions and despite our strong support for research and development by businesses.

Our government recognized this problem and it received a report this past fall from a panel of experts tasked with reviewing federal support in research and development. Over the past few months, we have gone over the report and, under the leadership of my colleague Minister of State Goodyear, we will soon take action to fix the problems identified in the report so as to strengthen Canada's global competitiveness in a broad range of sectors.

[English]

At the heart of the digital economy are information and communications technologies. Technology adoption boosts productivity, accelerates innovation, and generates new products and business models. To this end our government has launched the digital technology adoption pilot program to promote adoption by small businesses using community colleges as partners.

This complements recent initiatives by the BDC, which has set aside \$200 million for loans to entrepreneurs to adopt ICTs and has created an online resource centre that offers technology tools for small businesses. We are also boosting our support to increase university capacity in key digital skills disciplines.

I'm also looking forward to this committee's report on e-commerce in Canada.

Speaking of the digital economy, I'd note the swift progress of the copyright committee chaired by our NDP colleague from Sudbury, Mr. Thibeault. I know that Mr. Regan, Mr. Lake, Mr. Braid and Mr. McColeman worked long hours on that committee as well.

Bill C-11 attempts to achieve a balance between the rights of consumers and creators. While all of us know finding that balance has been challenging, this legislation is about strengthening Canada's ability to compete in the global digital economy. It is important for this bill to be passed as quickly as possible.

Turning to telecommunications, just yesterday I was pleased to announce significant decisions for our wireless sector. We understand that Canadian families work hard for their money, and they want their government to make decisions that will help them keep more of it. The measures I outlined yesterday will ensure the timely availability of world-class wireless services at low prices for Canadian families, including those in rural areas.

These measures include lifting foreign investment restrictions for telecom companies with less than a 10% share of the market; applying caps in the upcoming 700 megahertz spectrum auctions; applying measures to ensure that rural Canadians have access to the same advanced services; slowing tower proliferation by improving and extending roaming and tower-sharing policies; and reserving a portion of the 700 megahertz spectrum for public safety users such as police and firefighters.

[Translation]

I am proud of the balance that has been reached with those decisions. As Canadians are increasingly relying on wireless technology, it is important that we make good decisions to provide prompt service with more choice and lower prices.

In addition to the legislative changes I mentioned earlier, we are moving towards strengthening other pieces of legislation and policies related to the economic framework. We have made a commitment to ensure that the review process under the Investment Canada Act continues to promote investment while providing a net benefit for Canadians.

Meanwhile, we are continuing to review the act, especially in terms of transparency, to make sure that it is balanced. We have to be clear that the purpose of the Investment Canada Act is to promote foreign investment in Canada. Our government strongly believes that free trade and the ability to attract investments to our country play a fundamental role, not only in our economic recovery, but also in our country's long-term success. As a result, when we bring forward proposals for change, the changes will be about promoting investment that will benefit Canada.

In addition to the work accomplished on the Investment Canada Act, we have also been successful in introducing Bill C-14, Improving Trade Within Canada Act.

• (1545)

[English]

We are also acting on a number of other fronts, such as moving forward with priority trade negotiations, including with the EU and India. We are cutting red tape in order to boost productivity and reduce the compliance burden on businesses, especially the small and medium-sized businesses that drive our communities, whether they are located in large cities like Edmonton—whose Chamber of Commerce I was pleased to meet with in the fall—or rural centres like my own town of Thetford Mines.

[Translation]

In conclusion, Mr. Chair, I believe that those initiatives will contribute to strengthening the competitiveness of the Canadian economy and to support job creation and economic prosperity, which is at the heart of a strong Canada.

Thank you for your time. I will be pleased to answer any questions the members of the committee may have.

Thank you.

The Chair: Thank you very much, Mr. Minister.

[English]

There are a couple of things before I call on Mr. Lake to begin the questioning.

Just to be clear, we are dealing right now with Standing Order 81 (4), which means that the main estimates have been referred to us. I'm calling for vote 1 right now.

The minister will be answering questions on his main estimates only. If there are any other questions that can't be dealt with by the officials, we can talk later regarding what other resources you want to have.

Behind me to my left you will see a stationary camera. It will move to the speaker who is dealing with the question, of course, and the answers. I just want you to be aware of that before we start.

Hon. Geoff Regan (Halifax West, Lib.): Mr. Chair, I must say that I'm pleased that when I'm asking the minister questions, the camera will have my good side. That's good to see.

Voices: Oh, oh!

An hon. member: So will all Canadians.

Voices: Oh, oh!

The Chair: I resemble that remark.

Voices: Oh, oh!

The Chair: A number of you have motioned to me regarding the temperature in the room. That has been dealt with. I hope it'll be a more moderate temperature shortly.

Now we'll go to Mr. Lake for seven minutes.

Mr. Mike Lake (Edmonton—Mill Woods—Beaumont, CPC): Thank you, Mr. Chair, and thank you to the minister and the officials for coming here today.

I'm going to focus my line of questioning on the most recent announcement to do with the spectrum auction and the loosening of foreign investment restrictions in the telecom sector.

Maybe you could just speak to the benefits to the Canadian economy and to Canadian families of the decisions announced yesterday.

Hon. Christian Paradis: Yes, thank you.

First of all, we had to take some steps to make sure that we could sustain competition. One other policy goal was to make sure that we would enhance investment and innovation. Finally, we wanted to make sure that we could have the newest technologies available to people wherever they are in Canada.

Some steps have been taken. We have lifted the restriction on foreign investment for small companies with a market share of less than 10%. The idea is to make sure that these new entrants, if they want to compete, have access to capital. These are the companies that need it most.

On the spectrum itself, we have put in a cap of one prime block per incumbent. As a result, there will be four prime blocks, and we can ensure that there will be a fourth player in the running, wherever you are in the country, in each of the 14 licensing areas.

When you get into that business, it takes a lot of cash, and becoming cash positive is quite an issue. This is why access to capital is important.

We followed the recommendations of the Red Wilson panel and the competition report that followed.

After that, there were roaming and tower-sharing issues. As we know, more and more people want to have access to wireless, but fewer and fewer people want to see towers in their backyards. We had to deal with that issue, so we will expand the roaming policy for an indefinite period of time. All carriers will benefit from that policy. For tower-sharing, we will consult with the stakeholders, the industry. What we intend to do is ask for more transparency and information sharing.

You know that for both of these aspects, there is an arbitration process. We will make sure that we tighten the rules to make sure that when there is litigation, it is effective. We heard a lot of frustration, so we said that we would tighten the rules to make sure that we have a process for resolving litigation effectively.

I think we will have a balanced approach down the road. We had to get in the game, but we tried to have the least intrusive measures possible. All of this was done keeping in mind that we wanted to achieve the four main goals I mentioned at the beginning of my statement.

• (1550)

Mr. Mike Lake: With respect to the consultation process that went into this, if I remember correctly, there were three different consultations: one on the 700 megahertz band, one on the 2500 megahertz band, and one on foreign ownership.

Could you maybe speak to that consultation process?

Hon. Christian Paradis: I mentioned the two reports on foreign ownership. When I became Minister of Industry, I sat down with all the players in the industry. That is what I did, but the consultations were over in spring 2011. Maybe it would be more appropriate for the officials to explain what they've done exactly.

Mr. Richard Dicteri (Deputy Minister, Department of Industry): On the foreign ownership issue, the government had released a discussion paper that was widely commented on and discussed. Similarly, the department released a discussion paper on the 700 megahertz and 2500 megahertz bands and sought input. It was done in a very transparent manner. It was all done on the departmental website. To close it off, as the minister mentioned, we met with all the major stakeholders to ensure that he had a personal understanding of the views of the different companies.

Mr. Mike Lake: The thing about the history leading into this, the 2008 spectrum auction and the result, is that we've seen wireless prices come down a little since that time. To what extent is that the case—

Hon. Christian Paradis: Yes, this is a good point.

Back in 2008, we were dealing with the AWS spectrum, so it was less scarce than the 700 megahertz spectrum. It was decided at the time to make a set-aside so that new entrants could come in. Today we have new players such as WIND, Public, Mobilicity, Vidéotron, and there are now one million subscribers with these new entrants. There was another market created. You can find a package for a very low price—something like \$15, \$20 a month—and after that the incumbents went with packages other than those they usually carry, just to have competition.

The stats show that average prices went down over 10% since 2008, so this was the right thing to do. However, since we are going once again with the spectrum auction, there was a matter of access to capital, so it was time to lift the restrictions.

Given that we are dealing with a scarce spectrum, the 700 megahertz one, making a set-aside was very dangerous for the government because we could not choose which block would be set aside. As a result, we decided to go with the less intrusive approach, to go with caps. After that the prime block will be available for new entrants and will be dealt by the market. Depending on which block you deal with, it has an impact on the ecosystem, the devices, and there is a lot of complexity and technical stuff.

We decided that the wise approach would be to let the market go. This is a balanced approach, a whole bunch of tools to make sure that we can achieve these goals. If you speak of tower-sharing, roaming, spectrum, or access to capital, you cover basically all.

• (1555)

The Chair: Thank you, Minister.

That's all the time left for that round.

[Translation]

Mr. Caron, you have seven minutes.

Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP): Thank you very much, Mr. Chair.

Mr. Minister, you must be aware of the current Viterra situation, which seems to be of interest to a number of investors. That raises several issues.

In your view, is it a coincidence that the interest of companies in Viterra comes so soon after the government's decision on the Canadian Wheat Board and the vote that was held?

Hon. Christian Paradis: You know just as well as I do that the process under the Investment Canada Act has rather strict criteria. Personally, I don't think that it is appropriate to speculate on cases reported in the media. In fact, the act does not allow it. Whatever the case may be, if there was any movement in that area, the situation would be reviewed under the process in question. In my view, it would not be appropriate for me to speculate on that.

Mr. Guy Caron: In Viterra's case, but more specifically in terms of the Investment Canada Act, there are concepts like net benefit and strategic asset. An expert from BMO Capital Markets has defined Viterra as a potential strategic asset for Canada. Yet this definition is not in the Investment Canada Act.

How do you define the terms “net benefit for Canada” and “strategic asset” in relation to Viterria, for example?

Hon. Christian Paradis: There are several criteria that we can look at. In my view, it is a question of balance.

As I said earlier in my opening remarks, we want to promote foreign investment as long as there is a net benefit for Canada. Then we will have to see.

If commercially sensitive information is communicated, that can have an impact on commitments made by investors. In my view, what's important here is for decision-makers to weigh all the criteria under the act when the time comes for Industry Canada to conduct studies. So we will reach the conclusion to support the initiative if there is a net benefit for Canada. If there isn't, we will have to say why, depending on what the process reveals.

Each case is unique. If we standardize criteria too much, we are bound to hinder the sharing of commercially sensitive information on both sides, which could slow down investment. We have to be careful about that.

Mr. Guy Caron: Okay.

Let me go back to telecommunications.

In terms of the decision, I have followed the whole file and the discussions that took place to determine the three options that we were going to choose. You chose the option to allow foreign ownership for companies with a less than 10% market share.

I see a problem with that. Let's say a company currently has a 2 or 3% market share. A major foreign company could buy it, and later, after 10 or 12 years, its market share could go up to 15%. One of the current three major players in telecommunications would then see its market share drop to about 15%. So you would end up with two companies of a similar size operating under completely different rules.

How do you justify this decision, given the possibility of having a two-tier system in the future?

Hon. Christian Paradis: As you know, the telecommunications sector is a rather special market that sees a lot of consolidations and that requires a great deal of money. It takes money to get involved in the sector and the process is long and tedious before you break even.

So it is important to focus on some aspects. A company that has access to foreign investment and whose market share is just shy of 10% could actually, in theory, have a market share of more than 10% as long as there is organic growth. That does not work for mergers, acquisitions or consolidations. You have raised this issue but I think that it is clear.

Furthermore, you just have to look at what is happening around the world to see that there are openings like that. In general, there is no desire to jump into a market and to have such a rapid organic growth.

Let's take the spectrum for example. Right now, you have a 5 MHz block open to new customers. What I am saying is that the growth plan has a lot of ups and downs, and it is quite difficult to speculate on what is going to happen on markets.

But one thing is certain: if we want to be competitive, if we want to have more choice, better prices and higher-quality technology, the thing to do is to continue in the direction taken in 2008 and to give access to capital to small companies that really need it.

Right now, the market share that small businesses have is minimal. We know that the three major companies have 80% of the spectrum with 93% of market shares. So we are a long way from your example.

• (1600)

Mr. Guy Caron: I'm going to stop you there because I think I have only about a minute and 20 seconds left.

The last question I am going to ask you has to do with the decision to choose a ceiling rather than use the set asides. Unless I'm mistaken, what is currently planned with the ceiling will not be enough for developing LTE technology. In fact, the technology will be allowed or will be able to develop, but the speeds will be the same as they currently are. So there will be no particular advantage to developing LTE technology. Several companies have told us that.

So, would it not have been better to choose set asides, just to enable better competition, rather than favour a ceiling that will actually hinder the development of a very promising technology in the future, to ensure that Canada will be able to follow the rest of the world's example?

Hon. Christian Paradis: You are talking about ceilings or set asides, which isn't relevant. What we need to talk about is the number. In reference to the number of blocks, some companies told us that they would need more. However, other companies are saying that there are already enough because some companies are already at 800 MHz, in advanced wireless services. So it's important to look at it overall. Some companies have said this, but some others have said something else. You know, if you talk to the three main players and the others, depending on where they are located and their size, you will get all kinds of opposing positions.

So that is why we decided that the least intrusive approach was to establish a ceiling that would in fact be a set aside. We wouldn't have to decide which of the blocks would be what we call the “prime” block.

Imagine that we decided to use a set aside. So, which block are we going to choose, given all the technological advances, given everything that's going on in the market with the ecosystems, given everything going on in the United States, with AT&T and Verizon? We are getting into an extremely complicated world that, we think, should instead be dictated by the market, so that people can make business decisions based on what is viable for them, and not based on what the government dictates.

The Chair: Thank you, Mr. Minister.

[English]

Your timing was actually just about perfect. We went a little over on that one, but I thought it was a question everybody would want to have answered.

Mr. Braid, you have seven minutes.

Mr. Peter Braid (Kitchener—Waterloo, CPC): Thank you, Mr. Chair.

Thank you to the minister and officials for being here this afternoon.

Minister, for my first question I want to pick up where Mr. Lake and Monsieur Caron left off by talking about the telecommunications industry.

I wanted to ask specifically with respect to yesterday's announcement, Minister, if you could speak to the anticipated benefits to consumers as a result of yesterday's announcement.

Hon. Christian Paradis: Once again we are of course very happy about our record since 2008, because there is a specific tangible benefit in the form of more players and a decrease of an average of 10% in costs.

Now we have an opportunity. We have to keep in mind that the 700 megahertz spectrum is highly valuable, so it is our responsibility as government to make sure it is fully optimized, fully well used, because this spectrum is very effective both in rural areas and in cities. In cities it can go through cement walls. When you go into rural areas, you can have a better cost structure because you need fewer towers to have the spectrum travelling.

The idea here was to make sure we would have four players everywhere in the country. In the cities you can have a good business case, but when you go into the rural areas, there is a possibility that companies could get two blocks, or they can go with partnerships, as is the case with Bell and Telus, for example.

What we decided to do is to put an extra requirement for rural deployment to have a coverage of 90% of the current HSPA footprint within the next five years following the auction, and then after that go up to 97% within the next 10 years following the auction.

What it means is that in the current HSPA footprint we have now, which covers about 98% of Canadian households, these people will have access to LTE technology, the same quality as you see in the cities. This is a huge impact.

When we speak about better technology, better quality, this is it. I addressed better prices; the other option is more choices. The question is having a fourth player in all areas.

After that we can go beyond that, addressing the 2,500 megahertz spectrum. This spectrum is very valuable too. It can be very effective. It can be used in remote areas. There are some companies operating with satellites, for example. They know how to use the spectrum and there is an opportunity for them to deploy that.

Some companies can find niche markets where other companies might not, but down the road you have good diversity. We can hope that we will be able to deploy network coverage as widely as possible.

• (1605)

Mr. Peter Braid: Thank you.

Changing gears now, I want to pick up on a point I think you made in your opening presentation. I don't think you referenced it by

name, but I think you referenced the Jenkins panel and the work it did in presenting its report to the government.

I wanted to follow on from there and ask at a high level. I think you mentioned the importance of "fixing problems." At a high level, could you speak to the policy areas you hope to address?

Hon. Christian Paradis: I cannot speak for my colleague, but I will say what I know.

As I said in my notes, it's concerning to see the level of pick-up from the private sector after all the investment by our government. SR and ED is one of the most generous regimes we have had, for example.

The idea is to find out how we can better leverage funds from the private sector. The Jenkins panel was mandated to look into this. Basically they came up with a report and addressed several issues.

With regard to the SR and ED program itself, they addressed the issue of procurement and the role the government could play in procurement. I have to mention that in budget 2010, a pilot program of \$140 million was announced, through which the government could consider some new technologies from what I would call the "post-prototype until the commercialization" era. This is a good way to help. We are the greatest purchaser, so there was a pilot program there, and there was good success. There was a good report recently about that.

After that, the panel also addressed the research area in general. It made some conclusions about the NRC and other granting councils. Finally, the Jenkins panel addressed the issue of access to capital for the high-growth firms.

These are basically the areas that were touched on. Of course, I also presume that the aerospace review panel will consult this report to make sure we fully consider what has been studied in the past. I would say Jenkins is a more general umbrella, but after that it will be useful for a narrower analysis, such as that done by the aerospace industry.

We are studying it. Of course, we will respond to conclusions.

• (1610)

Mr. Peter Braid: Why is it important, Minister, to be concerned about innovation in Canada?

Hon. Christian Paradis: That's the future. If we want to keep our leadership, we have to innovate. We have to make sure we can facilitate, we can help.

On innovation, we have to consider that it comes from the private sector. The role we have to play is to support the private sector to go down that road. Innovation is saleable. The more you are at the forefront, the more you can be a winner on the market. It's a no-brainer. You sit down with the private sector. That's always the way to go.

There are some parts of the economy in which we have been leaders but we can no longer be leaders. When you speak about volume and about wanting to compete against Asia, we are at a disadvantage, but if we innovate, then we can create specific products and find niche markets. This is why we want to continue on this. This is why, for example, we had the automotive innovation fund. We had great outcomes with the program, and we have to continue.

It's the same thing with the aerospace sector. We have 80,000 jobs here, a full chain of manufacturing, but we cannot sit on our hands and say that we are the best in the world. We have to continue. That's why, while the sector is going well, we said to Mr. Emerson: "Look, we are there, we are the fifth-biggest player, but where do we want to be in the future? Where do we want to be in 20 years or 30 years?" Innovation is a major part of this.

The Chair: Thank you, Minister.

We now move to Mr. Regan for seven minutes.

Hon. Geoff Regan: Thank you very much, Mr. Chairman. You've noted that it's seven minutes.

Through you to the minister, you're here for an hour. Your opening comments took 12 minutes, which is fine. You understand that most of the remaining 48 minutes will be taken up with friendly questions from your own party members. I have only seven minutes, and I'm going to try to craft questions so that you can give nice short answers. I'd appreciate it.

Mr. Peter Braid: My questions were very tough.

Hon. Geoff Regan: Yes, undoubtedly, Mr. Braid, they were very tough.

The spectrum auction, it seems to me, gives an opportunity to the government to invest the proceeds, whatever they may be—and hopefully, they'll be substantial—in the digital economy, which it failed to do in 2008. I hope it doesn't repeat its past mistakes in that regard.

You mentioned that the committee is working on an e-commerce report. I hope you'll listen to what we've heard from witnesses in relation to that, in terms of the development of the digital economy, because when you think about the past, after all, your government inherited a \$13 billion surplus, which it then squandered, putting the country in deficit by April and May of 2008, six months before the recession began. If you simply apply these funds to the deficit, it seems to me that you will simply be repeating and compounding that economic mismanagement.

I wonder if you will commit today to investing the proceeds in broadband development, in digital content creation, in digital skills training, in digital literacy—the kinds of things that will help to develop a digital economic strategy for Canada. I think perhaps that's the kind of question you can give a yes or no answer to.

Hon. Christian Paradis: No, I cannot give you a yes or no, but I can tell you, first of all, that I said I was going to have notes for 15 minutes of speaking, and I used only 12 minutes.

Hon. Geoff Regan: I appreciate that. Good point. That's fair enough.

Hon. Christian Paradis: I cannot take any commitment here. As you know, the Minister of Finance is responsible for drafting budgets. What I can say on the digital economy is that we had a pilot project to make sure that the SMEs could go toward digital technology. As you know, the BDC put aside a fund of \$200 million, which is very important. We are still going down that road.

I think what we did in 2008, once again, is a good way to go. We saw the prices for consumers go down, and this is what they expect.

Hon. Geoff Regan: Minister, you said yesterday that in terms of your spectrum strategy, the strategy is to try to cover 90% of rural areas within five years and 97% within seven years. Does this mean that by 2020 there will still be significant parts of Canada that won't have broadband service?

Hon. Christian Paradis: When you speak about rural areas, I have to specify with the 700 megahertz spectrum. We are talking about the current HSPA network coverage.

● (1615)

Hon. Geoff Regan: You were saying that only 97%.... In other words, it's not 100% by 2020.

Hon. Christian Paradis: It's 97% of the existing HSPA, but after that you have remote areas. Now we can go further than this. That is why I gave the example of the 2,500 megahertz spectrum. What I can tell you here on the record is that 98% of Canadian households have access to wireless technology as we talk now. Maybe they are not using it, but they have access to it—

Hon. Geoff Regan: If you drive around the country, Mr. Minister, I think you'll find that your service cuts out an awful lot and lots of places don't have service, so I beg to differ on that—

Hon. Christian Paradis: Yes, but it's 98% of Canadian households.

Hon. Geoff Regan: It's nice to have that number. I don't see that in real-life experience—

Hon. Christian Paradis: I'm talking about users more than territory—

Hon. Geoff Regan: What you proposed yesterday—

The Chair: When you cross-talk like that—

Hon. Geoff Regan: It's hard to interpret that, isn't it, Mr. Chairman?

The Chair: It's very hard, so maybe we could just have a question and then an answer. I know the time is short, Mr. Regan.

Hon. Geoff Regan: I'm sorry about that. It is very short.

The difficulty I have is this. Basically, the results of what you did yesterday mean that the large companies, for example, will each take one of the four good blocks that they're going to want, and then, only if they take one of the lower-quality blocks as well, do your requirements about having to do a rural build apply. As a result, there's a disincentive to them to actually buy any of those lesser, lower-quality blocks, and it's therefore unlikely you're going to get the kind of rural development you're looking for.

Hon. Christian Paradis: I would say two things.

First of all, don't overlook the lower blocks. I think they will be attractive.

Second, there was also a mention about the fact that if you have network sharing, you are under this rule. This means that if Bell and Telus, for example, share their network—they do share a network—and they go with two blocks, they will have these requirements to meet. After that, what could happen is what also happened in the past. There were some partnerships, for example, with MTS and Rogers, so a situation like this could trigger these requirements. As you said, if the three incumbents do it, there will already be a trigger with Bell and Telus.

Hon. Geoff Regan: In fact, when you take three incumbents taking three-quarters of it, that leaves only one quarter.

Anyway, let me go on—

Hon. Christian Paradis: No, but we are talking about the quarter sharing, so this is exactly the fact here....

Hon. Geoff Regan: —and talk about another topic.

The Standing Orders of the House of Commons of course require this committee to consider your department's report on plans and priorities in conjunction with the main estimates. We would normally have your plans and priorities report in our hands at this point when we have the main estimates, but the government is refusing to table those until mid-May.

The question is this: will you commit to return to the committee once your department's report on plans and priorities has been tabled so that we can fulfill our mandate and our responsibilities under the Standing Orders? I hope you would agree, in terms of what your priorities are, that the priority of coming here and becoming accountable before this committee, before members of Parliament, would be one of your high priorities.

Hon. Christian Paradis: First of all, I'm here today. I think within my notes it was quite complete about what our priorities are. I will let the DM go on this specific point.

Mr. Richard Dicter: I'm given to understand that the requirements from Treasury Board, because they are the ones that establish the timelines, are that we have to submit that document, I believe, within the next two or three weeks, and I believe the government-wide schedule is for those to be tabled around May. We are not the people who set rules as they relate to those timetables.

Hon. Geoff Regan: Thank you very much. I question whether the Minister will commit to coming back when those are before us.

Hon. Christian Paradis: I'm here to talk about the priorities. I had a twelve-minute speech and I tried to wrap this up to leave you time for questions. You had my priorities.

Hon. Geoff Regan: I don't get more than seven minutes regardless, Mr. Minister.

How much time do I have left, by the way?

The Chair: It says 7:06, 7:07. Thank you very much, Mr. Regan. I try to be diplomatic in that regard.

We're on to the second round now, and we'll go to Mr. Carmichael for five minutes.

Mr. John Carmichael (Don Valley West, CPC): Thank you, Chair.

Minister, thank you for coming today. We are glad to see you here.

I come from a small business background, a small medium-sized business, and as you know, in the last several years credit crunches and finance crunches have made it difficult for small and medium-sized businesses to compete with access to financing, access to credit, etc.

Could you tell us in a few minutes what our government is doing and has done to improve access to financing, particularly for small businesses but also medium-sized businesses?

• (1620)

Hon. Christian Paradis: I'm afraid I won't have enough time.

We did a lot. First, we—

Mr. John Carmichael: You went three minutes less on the priority side, as you said.

Take your time; I'm glad to hear it.

Hon. Christian Paradis: With regard to the fiscal framework, for example, as you know, we just lowered taxes. Now it's 15% for businesses, and even small businesses will have some more good advantages. The tariff and the accelerated capital cost allowance are good measures. Everywhere I go in the country, even in my pre-budgetary consultations, everybody's delighted about it.

Of course, as you know, we had the red tape commission. A minister of state was in charge of that, and he submitted a report to the Treasury Board to find a way to reduce red tape. As you know, we want to make sure that when there are new rules, we get rid of old rules, so this is very interesting.

We also have an important vehicle in the BDC. How can we encourage productivity for our small businesses? BDC put aside an amount of \$200 million to help SMEs to invest in digital technology, and aside from this, there is the digital technology adoption pilot program led by the NRC. The SMEs are eligible to apply; it's a program that helps to explain how you can increase your productivity and what the smart things to do would be. This program is very appreciated.

Also, as you know, the SMEs are a huge part of the R and D policies that were announced by my predecessor. We want to phase in R and D for the SMEs and make sure they can be a direct or indirect part of the value chain.

I also addressed the procurement process with the pilot project we had in budget 2012. We also want to encourage innovation on this. There were some opportunities there.

Of course, this topic was studied by the Jenkins report, and I understand that our colleague, the Minister of Public Works, is now looking at the conclusions.

Practical things like this are good—not higher taxes and the creation of programs that are not effective. We'd rather go with the low fiscal framework and make sure we can go with targeted investment where it is necessary, as in innovation.

Mr. John Carmichael: When you talk about access to financing and some of what you're doing with BDC, will some of the incentives and initiatives be directed at the main chartered banks as well, to free up credit and financing?

As you know, conventional small businesses in this country really don't have access to BDC on a regular basis. They deal with the five main chartered banks.

I'm wondering if there will be access to financing or if there are any initiatives that would incent the big banks to cooperate with BDC or the federal government to free up financing or to incent financing for small and medium-sized business.

Hon. Christian Paradis: First of all, we have a program at Industry Canada called

[Translation]

...the Canada Small Business Financing Program.

[English]

It helps the SMEs get credit from the traditional sector. This is a guarantee from the government. We invested in this and it is effective.

On the BDC side—and I mention this example here because I think this is great news for the SMEs—we put funds to help SMEs have access to digital technologies and we identified a specific fund of \$200 million that is totally dedicated for the SMEs. I think this is a good way to go. When you combine all of this, it is a good thing.

The Chair: I'm sorry to interrupt, Minister, but time is pressing. I know you only have a short period of time, so I want to make sure I give Mr. Thibeault his five minutes.

Go ahead, Mr. Thibeault.

Mr. Glenn Thibeault (Sudbury, NDP): Five minutes, and five minutes only—I've been saying that quite a bit over the last little while on Bill C-11. It all comes back, I guess.

Thank you, Minister, for being here today. Usually it's just the minister in the hot seat, but with the temperature in this room, I think we're all in the hot seat right now.

I'd like to continue a little on the spectrum. We've been studying, in this committee, e-commerce and mobile payments. One of the things we all agree upon is that without the spectrum, which is basically the next round of infrastructure for this, Canadian consumers and companies will be left behind, so it's an important issue for all of us.

One of the things we've been talking about a lot in this committee is rural areas and how to make sure that rural Canadians get access. Of course, it's great to hear that there will some commitment to rural Canadians and rural businesses, but on this side we'd like to see a little more. We're looking to the ministry to explain or talk about how we can come up with some of these other ideas that others are talking about.

You've given the structure of the rules: incumbents can only buy one block of prime spectrum and there's a limited spectrum available, so it's five usable blocks at only four.

It is quite possible that no operator, none of the telecoms, will fall subject to the rural access rules, and even if one operator does, there will not be competition, and consumers in rural areas will possibly continue to suffer.

Maybe you can give me your comments on that initially.

• (1625)

Hon. Christian Paradis: I will begin with the role of government. As you know, I cannot address the spectrum.

We worked a lot with the provinces on the broadband program. A mapping exercise has been done. I just want to point out that there is a federal-provincial meeting this weekend. It begins on Sunday, March 18, and goes until Monday, March 19. This will be partly to see where we are now, just to make sure that in our mapping we all on the same page. This is a matter of collaboration in terms of deployment for the government roles and the public infrastructure.

There is also the technology. Some companies now go with satellites. There is technology we wouldn't have talked about a few years ago, because it was not effective in terms of megabytes per second, for example. Now it's increasing more and more, so it is our role to see if there is any targeted investment help we can make in these strategic sectors. That is one part.

Going back to the spectrum, we want to make sure we have the winning conditions for rural deployment. That is why we have put in the extra requirements that weren't there back in 2008. The three incumbents will likely have one block each. If Bell and Telus share a network, with two blocks they will have this requirement. I cannot speculate, but it's kind of obvious.

Once again, as was addressed by Mr. Regan, don't overlook the other block. There is a block there, and I believe the players will develop technology to optimize it. The spectrum is there, it's available, and there might be something very interesting.

Mr. Glenn Thibeault: The question I would ask, then, is why didn't the government make rural Canadians more of a priority by imposing stronger rural build-out requirements on more of the companies?

Hon. Christian Paradis: I think we made it a priority and we put standards in that could be achieved. If you go too far, your elastic can break. This is why consultations were held by the officials and also by myself to just get the temperature and fully understand what the issues are. Frankly, we are convinced that we have a good balanced approach here. Once again, 98% of the households have access to wireless, and it's the same thing for broadband.

We can argue that, yes, some territories are not covered. First of all, it's not a lot of people, but we would like these people to have access to technology, and I agree with this idea. However, new technologies are appearing more and more—satellites, for example. There are new discoveries in the area that are very interesting.

Mr. Glenn Thibeault: Those 2%, though, seem to fall into my riding, because I'm hearing from them constantly. We've got to ensure that—

Hon. Christian Paradis: Yes, and I used to hear from them. You know, I was exactly where you are, I would say three years ago, hearing constantly about that. The way it was solved was with new technology. With the broadband program and new technology, and now with extra spectrum coming, I am confident that we will achieve it.

•(1630)

Mr. Glenn Thibeault: You've been talking about the “use it or lose it”. I believe you talked about—

The Chair: I'm sorry, that's five minutes and 20 seconds now. I was looking for a natural gap, so—

Mr. Glenn Thibeault: I was trying to jump in very quickly so you couldn't cut me off.

The Chair: I know. You learned nothing from your experience.

Some hon. members: Oh, oh!

The Chair: We go to Madam Gallant for five minutes.

Mrs. Cheryl Gallant (Renfrew—Nipissing—Pembroke, CPC): Thank you, Mr. Chairman,

Minister, my great riding of Renfrew-Nipissing-Pembroke starts just outside the limits of Ottawa, yet we still have farmhouses that are not serviced by the major land line provider, so when it comes to emergency services, the wireless spectrum is very important. Yesterday the chief of paramedic services for Renfrew County, Mike Nolan, asked me to extend his heartfelt thanks for what you did in yesterday's spectrum announcement.

Would you please tell us about the designation for public safety?

Hon. Christian Paradis: Yes, this is something for which there was a lot of appetite. We made a commitment in our last electoral campaign to address that issue. We know that in the United States they have done this.

I have to specify, first of all, that all of the stakeholders in the industry agreed that we have to align with the structure in the United States. You have the blocks, and then you have the public safety issue, so, yes, we designated a block for public safety. This will be a huge opportunity to address an uncertainty that has been there for awhile. Now it is a new era, and we will be fully compliant with the United States. It will be fully compatible, so we will now have a

North American approach. Given our territory and the new technology, we might even have economies of scale in developing new products and new technology to make sure that our first responders are well equipped, so this was great news.

Mrs. Cheryl Gallant: This news also speaks to jobs. Right now, especially in this committee, our number one focus is jobs and ways whereby we can emphasize that. Small businesses especially tell me, and the record shows, that when we reduce taxes for them, they end up getting busier and hiring more people. From that standpoint, what is government doing to reduce taxes on small businesses?

Hon. Christian Paradis: On small businesses, as you know, we have been the lowest regime since January 1. It's 15% for small businesses. As well, we have our capital cost allowance, the red tape reduction, and access to capital. I pointed out that BDC....

I hear exactly the same thing. A lot of companies said, "Look, if there was nothing there, we would be in real trouble. Now we can get through the economic slowdown. We are recovering and now we can hope to hire people." We also lowered the GST. We have been talking sometimes about the price of gas going up and down; the GST can soften the impact. When you add it all together, this is good. I think this is good way to go.

I hear a lot about this in my riding too. People are saying, "Let us do business instead of coming up with cumbersome regulation. This is not what we want." Frankly, as Minister of Industry, this is exactly the direction I have tried to make.

When we talk about the manufacturing sector, we know there is a challenge there, but in the automotive sector, for example, with the automotive innovation fund we can help our manufacturers to develop new products and find some new niche markets. These are good targeted investments that will help to develop innovation.

What is saleable first is innovation. If you want to be first, innovate, and then you'll be able to sell first. This is exactly what we should continue to do. This is why we do it in the aerospace sector also. This is also why we took that decision yesterday with the rules of the spectrum auction: to make sure we can have the best technology for all Canadians, wherever they are.

•(1635)

Mrs. Cheryl Gallant: The numbers show that the more we're reducing business taxes, the greater the overall revenue for government, so we should keep our taxes low.

We talked about existing business, but what about entrepreneurship? What is the government doing to encourage entrepreneurs?

Hon. Christian Paradis: As you know, we have the Canadian Youth Business Foundation that we have put \$20 million of further investment into. Also, young entrepreneurs can obtain up to \$15,000 in start-up capital, and this is an additional \$10,000 for expansion in financing—

The Chair: Thank you, Minister. We'll probably have to listen to the next chapter of that some other time.

I'm conscious of your time. Can you take another round of questions at this moment, Minister?

Hon. Christian Paradis: It was one hour. I have to go. I am on duty.

My colleague has covered for me, but I have to be there in the next five minutes. Guys, you know what duty is.

The Chair: All right, then, Minister. Thank you.

We'll suspend for two minutes to let the minister leave.

Minister, thank you very much for appearing before the committee.

• _____ (Pause) _____
•

The Chair: Ladies and gentlemen, we're back in session.

Now we'll have Mr. Dicerni on the hot seat, and just in case my humour was misinterpreted by anybody, of course I didn't literally mean that Mr. Thibeault didn't gain much wisdom from his experience; it was simply the humour of the moment. I was very grateful to learn how you were very strategically looking away from the chairman, which will help me to deal with the committee in the future.

Thank you very much, Mr. Dicerni and Madam Gillis, for being here.

We'll go on to...has our order changed? No, it hasn't.
[Translation]

Ms. LeBlanc has the floor for five minutes.

Ms. H  l  ne LeBlanc (LaSalle—  mard, NDP): Good afternoon, Mr. Dicerni, Ms. Gillis and Mr. Kennedy. Thank you for coming to answer our questions.

I would like to talk about the mandate of the NRC and NSERC in particular.

People want to change the NRC's mandate to make it a research services provider for industry. We don't necessarily want to change it, but rather have its direction be focused more on research for the industry. At the same time, we see in the budget that NSERC will receive \$300 million for knowledge transfer.

What is the government's overall plan for the various research and development institutes, particularly the NRC and NSERC? Is there not some kind of overlap in the budgets and mandates for these two institutes?

• (1640)

Mr. Richard Dicerni: I don't think there's an overlap between the two.

The first is a granting agency that supports university research. The agency receives applications from university researchers, it evaluates them, particularly through peer evaluation, then it allocates research funding that is usually spread out over two or three years.

Ms. H  l  ne LeBlanc: Are we talking about basic research or directed research, meaning research meeting the needs of industry?

Mr. Richard Dicerni: The granting agency has an overall budget of about \$1.1 billion, and it is divided into three main components. The first supports what we call basic research, where researchers submit proposals, and where the research is not based on any particular topic. Another component of the budget focuses on partnership and innovation. Again, the applications are submitted to the agency for evaluation, but they are targeted to facilitate partnership between academia and the industrial sector. The third component supports talent development through Canada research chairs, scholarships and so on. So, a third of the budget aims to increase partnerships and respond to the needs of the industrial sector. These are the three components of the budget for the Natural Sciences and Engineering Research Council.

As for the National Research Council of Canada, it currently has about 15 targeted institutes that aim to develop expertise in very specific sectors, such as aeronautics.

NSERC also has a parallel program, the Industrial Research Assistance Program, which aims to provide grants on a case-by-case basis to small and medium enterprises and to create a link with academia, a link that the Jenkins report looked into and made recommendations about to the government. The government is currently considering how to improve that connection.

In short, I wouldn't say that there's any overlap, but we need to improve the connection between these two bodies.

Ms. H  l  ne LeBlanc: The minister, who has unfortunately left, mentioned innovation. He also said that innovation came from the private sector. We know that the Conference Board of Canada ranked Canada 14th among OECD countries when it comes to innovation.

Is the current direction to abandon basic or exploratory research so we can put all our eggs in one basket and focus the research on helping industry?

Mr. Richard Dicerni: I have a few random comments about this. I don't think it would be a good idea to put all our eggs in one basket, in part because Canada is a big country. We are much better off targeting more regional intervention niches. In my opinion, trying to centralize everything would not necessarily be a step in the right direction.

You also mentioned the Conference Board of Canada report. It's true that if we compare the investments in research and development with the gross national product, Canada's performance isn't very good: it represents about 1.8%. China has almost surpassed us.

So we need to do better in this area, especially since, as Mr. Paradis said, there is a tax credit that costs taxpayers \$3 to \$3.5 billion a year. With that type of intervention, we should be getting better results. That was the objective set by the Jenkins report.

• (1645)

[English]

The Chair: Mr. Dicerni, thank you. I allowed you to go way over time because I know that was a complex question to answer, but it's almost a full minute over—actually, a little bit more than that.

Now we'll go to Mr. Richardson, who I believe is next, for five minutes.

Mr. Lee Richardson (Calgary Centre, CPC): Thank you, Mr. Chairman.

I just had a couple of questions for clarification on the spectrum, again, and yesterday's announcement. In response to Mrs. Gallant's question about the frequency for first responders, is this the same frequency as the U.S. frequency?

Mr. Richard Dicerni: Yes, we'll try to target so that the firefighters.... If you take 911 as a reference point, to make sure the firefighters and the police are on the same wavelength and can communicate without any interruption, the same would apply in our case, if there is an emergency, if there is a problem, so that all first responders....

Mr. Lee Richardson: Yes, I know how it works; I was just curious about whether or not it would be.... I don't know if it's the same in the rest of the country, but out in Alberta we seem to get that American frequency. I think some of our first responders actually even use it about 100 miles north of the border.

It would be a seamless link, would it?

Mr. Richard Dicerni: Helen McDonald, ADM of the Spectrum, has been dealing with the U.S. on this, and can perhaps....

This is Helen McDonald, assistant deputy minister of Spectrum.

Ms. Helen McDonald (Senior Assistant Deputy Minister, Spectrum, Information Technologies and Telecommunications, Department of Industry): Thank you.

The U.S. has not formally started using its 700 megahertz public safety spectrum. It has just passed a bill that provides financing for the build of the network. We are going to try to follow as closely as we can so that the equipment that's being developed can be used on both sides of the border, across our different forces, and with each other where we need to help.

You might be referring to what's called "narrowband"; there are slivers of 700 megahertz that are already in use for public safety across Canada, but it tends to be equipment that doesn't interoperate. Everyone buys their own system, and they develop their networks separately, so interoperability is missing today.

Mr. Lee Richardson: Thank you.

On the same point—now, it was such a good answer that I forget what my next question was. Oh, and is this, then, a secure band, or a restricted band, or could anybody jump in?

Ms. Helen McDonald: It would essentially be up to public safety how they want to use the band. They may decide they want to build in partnership with the private sector or just have a private sector developer build it for them. There may be some instances in which they have some spare capacity that they want to let others use, such

as hydro workers or other sectors of the economy that might be involved in an emergency response.

Mr. Lee Richardson: Great.

Okay, thanks.

The Chair: Mr. Carmichael, did you have...?

Mr. John Carmichael: Yes, thank you.

Mr. Dicerni, the minister spoke to some incentives and some facilities for entrepreneurship that had been placed by our government, and then further there was some discussion around the red tape reduction commission and some of the things it's doing for small business and for entrepreneurs.

I wonder if you could talk to us about how the government is working to simplify processes for small business, which is something we heard a lot about in the hearings we held earlier, and maybe expand on what the minister told us.

Mr. Richard Dicerni: I feel I could not do justice to the eloquence that Minister Bernier would bring to the specific matter you have raised, so I would commend to all members recent speeches and statements Minister Bernier has made, because he's quite passionate on the issue of reducing red tape and permitting business to be more able to do its job as a job creator.

In terms of red tape and so forth, Minister Clement and Minister Bernier recently—two or three months ago—put forth a government policy in regard to new regs, especially as they relate to burdens on business. The details have to be worked out, but going forward, when governments bring forth regulations that will create a burden on small business in terms of reporting or otherwise, they will have to identify an offsetting instrument so that the overall burden on small business is not increased in terms of the reporting relationship.

• (1650)

Mr. John Carmichael: Thank you.

The Chair: Thank you, Mr. Carmichael.

[Translation]

Mr. Côté, you have five minutes.

Mr. Raymond Côté (Beauport—Limoilou, NDP): Thank you very much, Mr. Chair.

First, I'd like to thank the witnesses for being here and for giving me the opportunity to ask some questions related to my responsibilities. I'm actually the counterpart of Mr. Bernier, the Minister of State, Small Business and Tourism.

I'll start by talking about the Canadian Tourism Commission. The department has made new reductions in grants. Unfortunately, these are still cutbacks. We cannot ignore the fact that, in the last 10 years, funding to the Canadian Tourism Commission has decreased significantly. In 2001, for example, the budgetary allocations were \$98.7 million. Unfortunately, the allocations planned for the next fiscal year are barely \$72 million. In absolute dollars, that's a significant decrease, but when we consider inflation, we're talking about draconian cutbacks over the past 10 years.

Despite the pride my counterpart showed during the presentation of Canada's federal tourism strategy, which is still full of good intentions and interesting things, it seems to me that we are clipping our wings and reducing our ability to support the increase of tourism in Canada.

Mr. Richard Dicerni: I wouldn't go so far as to say that. There are different ways of stimulating and encouraging tourism. The government's allocations to the Canadian Tourism Commission are one aspect of that. There are other areas that the government prioritizes and that, I think, deserve to be highlighted. Take for example the agreement that the Prime Minister signed with the Chinese authorities to increase tourism between the two countries. I think that agreement will provide good results.

The strategy you put forward will also encourage better cooperation among the various departments. It will also provide a good boost to tourism. You have probably seen that the strategy includes the publication of a report.

Mr. Raymond Côté: That's right.

Mr. Richard Dicerni: We will report on what happens. I think there will end up being an increase in transparency in the actions of the various departments to support tourism.

Mr. Raymond Côté: But, Mr. Dicerni, we can agree on one thing: the Canadian brand is excellent around the world. Still, we need to support that, we need to attract people. While Canada is drastically cutting its promotion budget—this is the role of the Canadian Tourism Commission—I'm seeing countries like Ireland and Greece invest almost double, which seems a little ridiculous to me. It's as if we were trying to acquire Canada's brand, when in reality Canada has been declining for years as an international tourism destination, compared with other countries that are emerging very quickly. You aren't alleviating my concerns at all.

Mr. Richard Dicerni: I must admit that I didn't think I could alleviate your concerns.

Mr. Raymond Côté: Thank you for confirming that.

• (1655)

Mr. Richard Dicerni: I was simply trying to provide some additional information.

Mr. Raymond Côté: I think that limiting the Canadian Tourism Commission to that extent is a very bad way to go, especially since it went from 159 employees in 2006 to 122 employees as part of its new redevelopment plan.

One thing bothers me a lot. I'm mentioning it so I can to share this information with all my colleagues. It's the fact that international tourism brought in \$15 billion in 2010, which equals \$50 million on average for each riding, for barely \$250,000 in investments or allocations granted. I think that performance is excellent. Even if we limited ourselves to an 25% increase, that would be a fraction compared with the enormous benefits. It's new money; tourism is an export product. It will yield a significant amount compared with the investment it would represent.

Neglecting tourism to this extent is a political decision. I fully acknowledge that there are other aspects, but the direct investment is what yields the most, in my opinion.

Mr. Richard Dicerni: That's certainly one way of looking at it...

[English]

The Chair: Monsieur Côté, Monsieur Dicerni, we're quite over the time. I was just waiting for a natural break here.

[Translation]

Mr. Raymond Côté: Thank you for your indulgence.

Mr. Richard Dicerni: I assure you that I will share your concerns and your points of view with Mr. Bernier.

Mr. Raymond Côté: Thank you. I appreciate it. I will meet with him soon.

[English]

The Chair: Now, I understand that conversations have been had, and we're not going to Mr. Lake. Instead, we're going to Mr. Regan for five minutes.

Hon. Geoff Regan: Thank you very much, Mr. Chairman. Much as I would love to have had it when the minister was here, I did have a chance at least for seven minutes, and I don't want to look a gift horse in the mouth. I really appreciate the chance to have a few more minutes to ask a question—

Mr. Lee Richardson: It's nothing personal.

Voices: Oh, oh!

Hon. Geoff Regan: It's nothing personal indeed, Lee.

At any rate, Mr. Dicerni, thank you for coming, and thanks to the officials with you.

I think I've asked you a question about this before, whether in committee or not, or maybe elsewhere. It's in relation to information on towers.

We heard from the minister today that one part of the spectrum plan is to have more tower-sharing among the players in wireless, but what we don't have very good sharing of is that information with the public. There is information on your website, in some respects, of what's going on with towers, but it's very hard to access.

I mean that if I have a tower across from my home, I can't go to your website, plug in my address, and find out quickly the details about that tower. I can't find out what the wattage is, what the bandwidths are that it's dealing with, or the kind of information that someone ought to be entitled to have if they're doing some homework on this and are concerned about the possible impacts.

Even if, as your department is convinced, they don't have anything to worry about, it seems to me that—

Mr. Richard Dicerni: The Department of Health, sir, has advised us of that.

Hon. Geoff Regan: Well, okay, but even if the department clearly has advised that, there are people who clearly worry that it's like so many things we've seen in the past that we thought at one time were fine—Agent Orange, or 2,4-D, or thalidomide. There are very many examples of things that we thought were okay in the past but turned out to be a problem later.

I'm not saying this is the case here, but people do worry about this issue. I think they ought to be entitled to access the kind of information that would allow them to make that kind of judgment on their own, which they can't do now.

I have asked about this many times. I have been trying for six years to get information about one particular tower in my riding. There's a gentleman I hear from regularly about that, especially when I knock on his door, and he's a little frustrated with me for not getting it, so when is that going to change?

Mr. Richard Dicerni: I'll start with a couple of things, and then Helen will provide a bit more information on the paper that we also released yesterday.

Over and above the regulatory document we released on the 700 megahertz and 2,500 megahertz, we also released a document pertaining to more specificity around tower-sharing.

I'd like to make two other points. One, in the Department of Industry we do a lot of things, if you look at the estimates. One area that we do defer to someone else involves health matters. The Department of Health has looked at this many, many times, has done a recent review, and has come to the determination that no harm would flow from these towers, so just for the record, if you wish to pursue that matter, I think the Department of Health would be the better place.

We're quite conscious of the societal challenge associated with these towers. Everybody likes the iPad, everybody likes the BlackBerry, everybody likes the iPhone, and everybody likes to have access, but nobody wants to have a tower in their backyard, for a variety of reasons.

By encouraging more tower-sharing, what we are trying to do is indeed reduce the number of towers that need to get built—

• (1700)

Hon. Geoff Regan: I appreciate that. If you'll forgive me, I only have five minutes now—even though it was given to me, which I appreciate.

An hon. member: And then you have your turn.

Hon. Geoff Regan: My real question is about sharing public information.

Mr. Richard Dicerni: Yes.

Helen, why don't you describe what's in our document out for consultation.

Ms. Helen McDonald: The document out for consultation says that we should be requiring companies to post information or make information available—i.e., in a public website—that would show what towers they have and what's already taken up in what they call “elevations”, what's available.

It was designed to try to speed up the process so that people weren't chasing the wrong towers, but it was also designed to make sure that companies weren't hiding vacant sites by putting up—

Hon. Geoff Regan: Okay, I have to go on to another question.

The estimates indicate a \$291 million reduction for the department for 2012-13. I see a \$6.5 million cut from Genome Canada, a \$61

million cut from the Space Agency, a \$3.5 million from the NRC, a \$275 million cut from Statistics Canada, \$15.6 million cut because the rural broadband program is done.

However, these are still pretty big numbers; most of the numbers in the estimates are in the tens of millions or even hundreds of millions. Could we have more detailed information about how the reductions will be achieved?

Ms. Kelly Gillis (Chief Financial Officer, Comptrollership and Administration Sector, Department of Industry): Actually, in the estimates document we talk about a little bit on each page. At Industry Canada, we have an increase of \$90 million, and on page 203 we talk about which program those increases relate to.

For example, although there are a number of ins and outs, on page 203 we see that CFI is going up by \$72 million. That is not new money; it's actually from budget 2009, because there was \$600 million and another \$150 million announced in that budget. All of the increases and decreases for Industry Canada are listed on page 203.

For each department, if you go—

Hon. Geoff Regan: I think the key is to have details that are smaller than those big numbers.

Ms. Kelly Gillis: Some of that information will be in the report on plans and priorities in May.

The Chair: Thank you, that's actually—

Hon. Geoff Regan: Thank you, Mr. Chair.

The Chair: Now we'll go on to Mr. Thibeault.

Mr. Glenn Thibeault: Thank you, Mr. Chair, and my thanks to the witnesses for being here today.

I'm going to start off with a question in relation to the Office of Consumer Affairs. Page 204 of the main estimates shows that Industry Canada's Office of Consumer Affairs is facing cuts of about \$46,000 in 2012-13, and \$46,000 in an office that has only 23 full-time employees is a significant reduction. It's already operating, we believe, beyond its capacity with such a limited workforce.

Can you assure this committee that this reduction doesn't come at the expense of another full-time position? Do you know where those costs are coming from?

Mr. Richard Dicerni: First I'll address the cause. I remember the last time I was here you asked me about consumer affairs, and I told you that we were not cutting anything, which remains the correct answer.

Six months ago the government established something called Shared Services Canada, with a view to integrating all of the IT operations in different departments into one. Every department received a tax in regard to what would be reduced from its budget and transferred to Shared Services Canada. This figure relates to the cost of services the consumer affairs bureau would previously have been providing that will now be provided by Shared Services Canada.

Mr. Glenn Thibeault: Great.

Looking over the main estimates, we see there's an increase of \$2.5 million in operating funds to modernize BizPaL, an online service that guides Canadian businesses in areas of permits and licences. We've seen an increase of \$2 million in operating funds for the implementation of the digital technologies adoption pilot program, which assists small and medium-sized enterprises in adopting ICT.

Then we see a net reduction of \$18 million due to the completion of the broadband Canada program. We're seeing a lot of investment in Internet, but many rural and small businesses don't have access to wireless technology.

Why are we seeing the sunseting of such a program when we know that rural small businesses need support? Would it make sense to use some of the revenue from the spectrum auction for investment in programs like broadband Canada?

• (1705)

Mr. Richard Dicerni: Broadband Canada was launched during the government's economic action plan, and we carried over because some projects ran longer. However, it was a time-defined initiative, not an ongoing program.

Mr. Glenn Thibeault: I completely agree, but wouldn't it make sense now, since we know that rural Canadians still don't have access to Internet and to wireless, to find the revenue to do that?

Mr. Richard Dicerni: I would make two other quick points.

One is that allocation of resources is not something that falls within the purview of officials. You, I believe, made a suggestion to the minister, which I assume he noted and will then address with the people who are above my pay grade.

Second, it's not just the federal government. The minister alluded to the meeting that we're going to have with provinces. They also have a responsibility to ensure that citizens across the country have best access. The regional agencies are, in different ways, also involved in this. I know FedNor made a contribution, FedNor being within the department.

Also, as he was saying, with emerging new technology, including satellites, one has to look at how all these things come together, and that's one of the things we'll be talking about with the provinces. Having done a fair amount of mapping to discover who is left unserved, we need to discuss how much it would potentially cost, what the technologies would be, and who should get involved in that.

The Chair: Thank you very much, Mr. Dicerni.

Thank you, Mr. Thibeault.

Now we go on to Mr. Lake.

Mr. Mike Lake: Thank you, Mr. Chair.

Again, thank you to the witnesses for coming.

Helen, I'm coming to you, I think, with this question. It's a technical question on broadband and the numbers that we're talking about here.

We talk about 98% and then we talk about this 90% to 97%, and I think some confusion arises between land lines versus mobile. When

we talk about 98% of Canadians having access to broadband, what does that mean?

Ms. Helen McDonald: It means that 98% have access to high-speed wireless as defined by the CRTC. They may not be subscribing to it, but it's available in their area.

Mr. Mike Lake: What's the definition of "high-speed wireless"?

Ms. Helen McDonald: That's a good question. I think it's defined by the HSPA, which gives you a range of speeds. It's very difficult to say what your actual speed is going to be, because it depends on how many people are within the zone and so on. It's hard for me to give you a precise answer on what that means, but it's mobile and it will support a BlackBerry.

Mr. Mike Lake: So 98% could have access if they wanted to?

Ms. Helen McDonald: Yes, they could have access if they wanted. In each of the companies' territories where they have licensed spectrum, they have covered a certain portion of their population, so 98% of the population is covered within Canada, and the 90% and the 97% then apply to that footprint. It would make it easier for companies to build out as rapidly as possible by re-covering their footprint with a new technology.

Mr. Mike Lake: Looking at the difference between the last auction and this spectrum auction, maybe you could explain for people who aren't familiar with the process or the terminology what the difference is between a cap approach and a set-aside approach.

Ms. Helen McDonald: The set-aside was in the AWS, where we had more spectrum, and therefore 40% of it was set aside. Only the new entrants could bid upon it.

In a cap, you're not picking where new entrants will win spectrum. That will be up to the play of market forces at the auction, but you're limiting what each company can acquire at the auction.

• (1710)

Mr. Mike Lake: If I remember correctly, on the 700 megahertz, which is the more valuable to some, in a sense, we have four blocks. Am I right?

Ms. Helen McDonald: We have four prime blocks—

Mr. Mike Lake: Four prime blocks.

Ms. Helen McDonald: —where there is a strong U.S. ecosystem and, therefore, we expect there'll be much more interest in Canada in those, but there are a few other blocks also available at auction.

Mr. Mike Lake: Then any of the people wanting to buy spectrum could only buy one block, which would leave—

Ms. Helen McDonald: Any of the people can buy two blocks, but the present incumbents can only acquire one of the prime spectrum. A new entrant could bid for and win two prime blocks at the auction.

Mr. Mike Lake: Sure. Okay, I understand that now.

Ms. Helen McDonald: It effectively reserves that one block for a new entrant or a small regional provider.

Mr. Mike Lake: Right. Effectively, it will increase competition, which is the main point.

Ms. Helen McDonald: It will sustain; yes.

Mr. Mike Lake: Okay.

Going back to the access to broadband, how has that changed over the years? We're at 98% now....

Ms. Helen McDonald: You can get broadband access through a wire line, cable, DSL, fixed wireless. Over the last five or six years, mobile broadband has become increasingly important and attractive, both financially and in terms of capacity.

Rogers has had for many years an HSPA network, which is a mobile wireless network. Bell and Telus put up their HSPA network in 2009 in order to compete with Rogers. Collectively those cover 98% of the population.

Mr. Mike Lake: Okay.

I'm good, Mr. Chair.

The Chair: Thank you, Mr. Lake.

Before we go on to our next speaker, there is some information regarding a CRTC definition that I'll have the researcher add to Ms. McDonald's comments.

Mr. Dillan Theckedath (Committee Researcher): According to the "CRTC Communications Monitoring Report" in 2010, 98% of Canadian households had what they called broadband access, which Ms. McDonald referred to.

You asked for the definition. The definition of broadband is 1.5 megabits per second.

The Chair: Thank you.

Now we'll go over to the NDP.

[Translation]

Ms. LeBlanc, you have five minutes.

Ms. Hélène LeBlanc: Thank you, Mr. Dicerni, for being here. I would also like to say hello to Ms. Gillis and everyone here today.

Last fall in New Brunswick, the headlines widely reported the anxiety created by the rumours that the NRC's Institute for Information Technology in Fredericton was going to close its doors. That sector, which is still fairly new and fragile, employs 30,000 people. Its vitality depends on the presence of the NRC's Institute for Information Technology.

So I'm wondering what impact budget cuts of \$66.7 million—an amount that was dedicated to technology clusters—would have on the NRC's activities in New Brunswick, as well as on the technology cluster that has developed around that institute.

Mr. Richard Dicerni: Could you please tell me what page the information you're referring to is on? There were no budget cuts in this respect last year. That's why I'm trying to find this information.

• (1715)

Ms. Hélène LeBlanc: It's on page 214 in the English version.

Mr. Richard Dicerni: Okay.

The technology cluster program is related to the institutes. As I said, about 15 institutes target specific sectors. I'll tell you a bit more about it because these clusters are up for renewal this year. That's what we're working on. That's why I said I didn't think there had been a decrease. I promise you and the chair that I will write to you after I have spoken to the president of the National Research Council of Canada.

You can also rest assured that we and the president of the National Research Council of Canada are aware of the role the institute plays in St. John. The provincial government stressed its importance to us.

Ms. Hélène LeBlanc: Has there been a change in direction? Would some institutes have a status other than that of institute? When I met with the NRC president, he seemed to be saying that the status would be a little different.

Mr. Richard Dicerni: The Jenkins report more or less recommended taking an axe to the National Research Council Canada and totally reorganizing its activities. Minister Goodyear has said that he prefers evolution to revolution when it comes to the NRC.

However, and I think that this is what Mr. McDougall was referring to, we want to make sure that NRC expenditures are in line with the real industrial needs of the country and that there is a closer link between industry's needs and the NRC's work. Take the example of the aeronautical institute based in Montreal. I think 40% of its revenues come from the private sector. That means that companies like Airbus and Bombardier provide them with contracts. So the usefulness of that institute is well-established, because private industry provides it with a mandate in the form of contracts to meet their needs.

The objective that Mr. McDougall is trying to achieve with the other sections and institutes is to have really useful activities that serve people's needs. That is the direction he is looking in.

Ms. Hélène LeBlanc: I understand that completely.

[English]

The Chair: Your time is up.

[Translation]

Ms. Hélène LeBlanc: Already?

Thank you.

[English]

The Chair: Next is Monsieur Côté. He may lend you some.

[Translation]

Mr. Côté, you have five minutes.

Mr. Raymond Côté: I hope that things will be just as pleasant with me, Mr. Dicerni, but I doubt it, because Ms. LeBlanc is known for her gentleness.

You will have other things to talk to Mr. Bernier about, because I want to talk about the changes to the estimates that relate to the Canada Small Business Financing Act.

We can see a net reduction of \$6.5 million in proposed contributions to lenders, dealing with claims for loans under the act. The act is intended to support small businesses looking for funding. It gives them loan guarantees, in fact.

Since the time when I was responsible for small business policy, I have been noticing that entrepreneurial activity in Canada is stagnant, even in decline in some parts of the country. It is quite a concern. Clearly, conditions are very difficult and not just when it comes to loans.

Is it not a mistake to reduce that funding, given that we had major problems with the loans made by financial institutions in the 2008 crisis?

• (1720)

Mr. Richard Dicerni: My colleague Ms. Gillis tells me that it is not a reduction, it is rather an anticipated projection of repayments. This is a statutory program. When banks send us invoices, we pay them.

[English]

Ms. Kelly Gillis: It's the bad debts related to the loans.

[Translation]

With small business loans, the banks make them and we provide a guarantee for 15% of the amounts. When the loans do not perform well, we give a small amount to the banks. This is an estimate of the reduced amounts we have to give to the banks. It does not affect the loans themselves or the amount of those loans.

Mr. Raymond Côté: So it means you are having to be involved in the market to a lesser extent.

Ms. Kelly Gillis: That's right. It is a good thing.

Mr. Raymond Côté: Okay. From that perspective, it's good news. We agree with you there.

Mr. Richard Dicerni: You can take it off your list of things to talk to Mr. Bernier about.

Mr. Raymond Côté: No, I am certainly not going to do that, because we still may want to ask about the direction we are taking. You are less concerned by that question, but we may want to discuss the government's wrong-headed view of the economy in general. Our economy is less and less stable, and here we are with Canada's economic dog on a very short leash again, if I may put it that way. Another pull on the collar and small businesses will have a lot of difficulty getting funding.

That is still a concern, one way or the other. So even if this is good news, we might wonder if there is not a way to make up for the skittishness of the banks.

Let me go back to tourism, since it is an area that particularly interests me. Quebec City is a major tourist destination. Small tourism-related businesses have a terrible time getting banks to lend them money, simply because they have very little in collateral to offer.

Forgive me for not really getting to a question.

Something else infuriates me. The latest study that Industry Canada published on the matter specifically said the criteria for getting financing had become stricter. Unfortunately the study in

question was terminated and there will really be no way to follow it up. Is that true or am I mistaken?

Mr. Richard Dicerni: I do not know what study you are referring to. If you or your colleagues could...

Mr. Raymond Côté: It was the study on small business financing.

Mr. Richard Dicerni: I am not familiar with it, but I will find out about it.

Mr. Raymond Côté: Fine, thank you.

Do I have any time left, Mr. Chair?

[English]

The Chair: You have about seven more seconds.

[Translation]

Mr. Raymond Côté: Since you were very kind earlier, I will turn them over to you.

Thank you, Mr. Chair.

[English]

The Chair: Your time has now pretty well expired. Thank you very much, Monsieur Côté.

Is there any more rebuttal from the government side? No.

Does anybody have any other questions?

Hon. Geoff Regan: Sure, Mr. Chairman. Are you looking for more questions?

The Chair: I think we've got about three or four more minutes, so I think that would be acceptable. I don't see anybody jumping up and down.

Hon. Geoff Regan: I'm once again grateful for the opportunity.

Mr. Dicerni, can you tell us about the change in the number of full-time equivalent employees in the industry portfolio between 2011-12 and 2012-13? If you don't have those details with you, perhaps you could provide them to the committee.

I'm speaking of the changes from this current fiscal year to the next fiscal year. The main estimates, of course, are for 2012-13.

• (1725)

Mr. Richard Dicerni: Sure, we can work through the portfolio and get back to you. There are always a lot of puts and takes, depending on things coming out of the economic action plan and activities that were sunsetted and so forth, but that's factual information that we can compare.

Hon. Geoff Regan: Thank you.

Who will finance the build of the public band for emergency services in Canada? I'm talking about the spectrum that's set aside for emergency services, firefighters, and so forth. It's going to require....

If we don't know who it's going to be, how do we know it's going to happen?

Ms. Helen McDonald: Public Safety Canada might have a say in that—

Hon. Geoff Regan: You're hoping. You don't know if the Government of Canada is going to fund that at all. You're making the spectrum available and hoping that somebody's going to fund it so that firefighters and so forth can use it, but at this point it's an open question. That's what you're telling me, I think.

Mr. Richard Dicerni: We're the allocators, not the builders.

Hon. Geoff Regan: Maybe that will be addressed in the budget.

The Chair: Mr. Regan, that's two questions, and I know Madame LeBlanc has some, so just to be fair...

[*Translation*]

Ms. Hélène LeBlanc: Thank you again, Mr. Dicerni.

I want to go back to the research institutes, the way they are funded, and so on.

As you know, some sectors of the economy generate less interest than others, but the government is required to continue research and work in those areas, even though they are not necessarily considered moneymakers by industry. So I would like to draw your attention to environmental technologies and ask you why, on page 215 of the English version, there is a cut of about \$6.6 million in the amount identified for energy and environmental technologies.

Mr. Richard Dicerni: To be perfectly honest, I have to tell you that I don't know. That comes under the National Research Council Canada. So I will ask them how they arrived at that reduction...

Ms. Hélène LeBlanc: I just wanted to point it out. I understand that we want to be able to provide services to industries, but the role of government is also to do research in areas...

Mr. Richard Dicerni: ...that do not necessarily make money.

Ms. Hélène LeBlanc: Exactly.

Thank you.

[*English*]

The Chair: Thank you very much, Mr. Dicerni, Ms. Gillis, and Mr. Kennedy, and thank you, Ms. McDonald, for coming on the scene and providing some good information for us as well.

That wraps up our twenty-second meeting. When we return, we'll be going back to our regular time of 8:45 a.m. and we'll be meeting back here. You'll get a notice of meeting, but we'll be continuing in camera, wrapping up our study on electronic payments and e-commerce.

Thank you very much. Have a very diligent constituency week.

The meeting is adjourned.

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